

The Need for Leadership and Stewardship:
21st Century Challenges and Opportunities

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I am honored to be here this afternoon to deliver the first Getzen Government Accountability Lecture. As many of you know, this lecture is named for Dr. Forrest William Getzen and his wife Evangeline, two lifelong advocates of education and public service. Dr. Getzen was a chemistry professor at North Carolina State University, and Mrs. Getzen was a career civil servant in state government. I'd like to thank their daughter Katherine Willoughby, who's a professor of public administration at Georgia State University, and her husband Dan for their generosity in establishing this lecture series. I hope that I live up to your expectations!

Discussions about accountability in government all too often focus on infuriating cases of waste, fraud, abuse, and mismanagement. Recently, my agency, the U.S. Government Accountability Office (GAO), reported on billions of dollars in so-called "performance bonuses" on weapon systems that are over budget, behind schedule, and underperforming. We've also been investigating billion-dollar contracts in Iraq and elsewhere in which contractors have been able to effectively set the scope of their work. Furthermore, we're finding that a number of major Hurricane Katrina-related contracts and assistance payments don't pass the "straight face test."

I want to be clear here. We should have zero tolerance for waste, fraud, abuse, and mismanagement even though it will never be zero in an entity the size of the U.S. government. But candidly, we could eliminate every dollar of waste, fraud, abuse, and mismanagement in government and we'd still face serious accountability challenges.

For example, where's the accountability for spending increases and tax cuts that are unaffordable and unsustainable over time? Where's the accountability for spending programs and tax policies that can't show they're delivering real results? Where's the accountability for federal activities that are rooted in the past and no longer meet current let alone future needs? Where's the accountability for thousands of earmarks, or congressional "pet projects," at a time of huge budget deficits? Finally, where's the accountability for public officials who do what is arguably legal rather than what is ethically and morally right? Is it really any wonder that our federal accountability challenges have gone from millions to billions to trillions of dollars?

At the same time, it's all too easy to lose sight of the biggest accountability problem in government today. And that's the continuing unwillingness of policymakers to face the facts, to take a long-term perspective, to prepare our country and its citizens for the challenges that lie ahead, and to start addressing a range of large, known, and growing problems. Many of these challenges are unprecedented in their scope, complexity, and potential impact. As I'll point out later, there are also opportunities connected with some of these issues, but there are also serious risks that can and must be managed.

This afternoon, I'm going to talk more about some of these challenges to give you a better sense of where we're headed. I'll then explain why we must transform government to meet those challenges, and I'll present some possible ways forward. As a case study, I'll briefly describe the continuing efforts of GAO to "lead by example" and better serve Congress and the American people. Finally, I'm going to discuss how public service offers patriotic men and women a chance to make a difference and help create a better future for all of us.

21st Century Challenges

Today, we're entering a world that's vastly different it was 50 years ago, or even 20 years ago. The

unusually prosperous and perhaps more predictable way of life that came after the Second World War is fast drawing to a close. The signs are everywhere now, especially in our economy. The financial problems at GM and Delta Airlines along with the pension freezes at Verizon, Motorola, and IBM are just the most recent reminders of how quickly things are changing. Our increasing personal and public debt loads and the growing economic gaps between the haves and the have-nots, both here at home and around the world, are also clouding our horizon.

Given recent trends and known future challenges, each of us as individuals, along with our elected representatives, need to start taking greater responsibility for our own as well as our country's future. Make no mistake — this will require difficult decisions and some degree of sacrifice. But it's essential that we act, and act soon. What's at stake is our future economic growth, our future international prestige and competitiveness, our future standard of living, and even our future national security.

What are these changes and challenges? Let me start with possibly the most sweeping agent of change, and that's demographics. Changing demographics will decisively shape the America of 2020, 2030, and beyond. Our population is aging. At the same time, our population is becoming far more diverse. Walk into an elementary school in many major U.S. cities and you'll see students who come from homes that speak every conceivable language, from Spanish to Vietnamese to Arabic.

Despite increased immigration, U.S. workforce growth is expected to slow dramatically during the next 50 years. Like most industrialized nations, the United States will have fewer full-time workers paying taxes and contributing to federal social insurance programs. At the same time, growing numbers of retirees will be claiming their Social Security, Medicare, and Medicaid benefits. Many of these retirees will live far longer than their parents and grandparents. Today, there are about 55,000 Americans who are 100 years old or older. By 2050, as many as a million Americans may have reached this milestone. In a nutshell, the retirement

of the "baby boomers," and I'm one of them, is going to put unprecedented demands on both our public and private pension and health care systems.

The problem is that in the coming decades, there simply aren't going to be enough full-time workers to promote strong economic growth or to sustain promised Social Security benefits. And the challenges facing Medicare and Medicaid are much worse. At the same time, American companies are cutting back the retirement benefits they're offering to workers. This means if we hope to live well during our "golden years," all of us are going to have to plan better, save more, invest more wisely, and resist the temptation to withdraw funds before we retire.

Beyond demographics, the United States confronts a range of other challenges. Globalization is at the top of that list. Markets, technologies, and businesses in various countries and in various parts of the world are increasingly linked, and communication across continents and oceans is now instantaneous. From clothing to computers, U.S. consumers can buy a range of goods that are cheaper than ever before. Consumer purchasing power has increased significantly. But there's a catch. In many cases, lower prices have been accompanied by a loss of U.S. manufacturing jobs.

Globalization is also having an impact in areas like the environment and public health. The truth is that air and water pollution don't stop at the border. And with today's international air travel, infectious diseases can spread from one continent to another literally overnight. This is one reason that public health experts are so concerned these days about avian flu.

With the end of the Cold War, we face new security threats, including transnational terrorist networks and rogue nations armed with weapons of mass destruction. September 11 brought this reality home in a painful way. Stronger multi-national partnerships will be essential to counter these diverse and diffuse threats.

Other challenges come from technology. In the past 100 years, but especially the last 25 years, spectacular advances in technology have transformed everything from

how we do business to how we communicate to how we treat and cure diseases. Our society has moved from the industrial age to the information age, where specialized knowledge and skills are the keys to success. Unfortunately, the United States -- which gave the world Benjamin Franklin, Thomas Edison, and Bill Gates -- now ranks 25th in the world based on high school math and science test scores.

In many respects, our quality of life has never been better. We're living longer, we're better educated, and we're more likely to own our own homes. But as many of you already know from your own families, we also face a range of quality-of-life concerns. These include poor public schools, gridlocked city streets, inadequate health care coverage, and the stresses of caring for aging parents and possibly our own children at the same time.

Our very prosperity is also placing greater demands on our physical infrastructure. Billions of dollars will be needed to modernize everything from highways and airports to water and sewage systems. The demands for such new investment will increasingly compete with other national priorities.

Our Worsening Finances

Perhaps the most urgent challenge is our nation's worsening financial condition and growing long-term fiscal imbalance. Largely due to the aging of the baby boomers and rising health care costs, America faces decades of red ink. The facts on this aren't in question. Given our worsening financial outlook, the government's recent spending sprees and deep tax cuts are nothing less than a body blow to overall fiscal responsibility.

Despite what some say, deficits do matter -- especially if they're large and structural in nature. As a CPA and the federal official who signs off on the audit of the government's consolidated financial statements, I'm here to tell you that our nation's financial condition is worse than advertised. Frankly, the government's business model is broken and it's time we fixed it.

Anyone who says we can grow our way out of the problem wouldn't pass economics 101 or basic math. To grow our way out, we'd have to have sustained economic growth way beyond what we've ever seen in our nation's history. It's just not going to happen, and the sooner we recognize that reality, the sooner we are likely to act.

Despite strong economic growth, in fiscal year 2004, the federal unified budget deficit reached a record \$412 billion. The unified deficit dropped to \$319 billion in 2005, but even that number is imprudently high given that that federal spending will begin to rise dramatically when the baby boomers begin to retire later this decade. Many of you would probably be surprised to learn that the global war on terrorism and incremental homeland security expenses accounted for only about \$100 billion of our annual deficits in 2004 and 2005. And while the unified budget deficit fell more than \$90 billion from 2004 to 2005, the accrual-based deficit increased \$144 billion from \$616 billion to \$760 billion during that same period.

While our federal deficit numbers are big and bad, it's the government's long-term liabilities and unfunded commitments that are the real problem. I'm talking about things like the current dollar value of unfunded promises for future Social Security and Medicare benefits, commitments relating to military and civilian retirement benefits, costly environmental cleanups, and potential bailouts of government-sponsored enterprises like the Pension Benefit Guaranty Corporation and the Federal Flood Insurance Program. Together, these items now total over \$46 trillion, up from about \$20 trillion in 2000. The new Medicare prescription drug benefit, which is turning out to be one of the most poorly designed, ineffectively managed, and fiscally irresponsible government benefits of all time, has added more than \$8 trillion to this mountain of red ink. And these numbers don't even take into the bills that are coming from rebuilding New Orleans and the Gulf Coast or the future costs associated with Iraq, Afghanistan, and the global war on terrorism.

To help put this number into perspective, \$46 trillion translates into a burden of \$156,000 for every American

alive today, including newborn babies. The burden per full-time worker is even higher, about \$375,000. Even with the recent run-up in housing prices, the combined net worth of every American, including billionaires like Bill Gates and Warren Buffet, is only about \$50 trillion. That means everyone in this room would have to hand over more than 90 percent of their net worth to cover the government's current unfunded promises for future spending. Unfortunately, this burden is going up every day because of continuing deficits, known demographics, and compounding interest costs.

Clearly, a crunch is coming, and eventually every federal program and service will take a hit. Our growing fiscal imbalance will also begin to take a toll on Main Street. If we continue as we have, higher interest rates and inflation are inevitable. It is only a matter of when and how high. As government is forced to borrow more and more money to finance its debt, less will be available for companies to invest to innovate, improve, and stay competitive. Eventually, long-term economic growth will suffer, and along with it American jobs and purchasing power. And, as we all know, bad news flows down hill, and eventually state and local governments will start feeling the federal government's fiscal pain.

If things continue as they have, it's only a matter of time before we face a crisis. And at that point, we won't have many options and we'll have less transition time. Many choices, in fact, will have already been made for us.

The time to start doing something is now. For many of the challenges I mentioned, a few thoughtful reforms phased in over time will make a huge difference. And by acting sooner rather than later, we can minimize the need for drastic measures down the road while giving people more time to adjust to any changes. Importantly, we can also fulfill our stewardship responsibility to future generations of Americans.

Transforming Government

As a first step in addressing our mounting fiscal challenges, we need to follow the rule of holes. What

do I mean by the rule of holes? It's simple: before you can get yourself out of hole, you first need to stop digging! We also need a fiscal version of the Hippocratic Oath, the physician's pledge to avoid doing harm. To do this, we'll need to modify federal accounting standards and budget scoring. Among other things, we should reinstate meaningful budget controls on both the spending and tax sides of the ledger. We should also reform entitlement programs, reexamine and reengineer the base of the federal spending, and review and revise existing tax policy, particularly tax preferences.

Every federal agency and every federal program must revisit and, when appropriate, revise its missions and operations in light of 21st century changes and challenges. The problem is that much of government today remains on autopilot and is based on social, economic, national security, and other conditions that existed when Dwight Eisenhower and John Kennedy were in the White House.

At the same time, government continues to expand, with new federal programs and initiatives added every year. Washington rarely seems to question the wisdom of existing federal commitments. Ronald Reagan once said that "the nearest thing to eternal life we'll ever see on this Earth is a government program."

We need to ask a series of basic questions about what government does and how it does business. For example, what is the proper role of the federal government in the 21st century? How should it be organized? Should contractors or federal employees or some combination of the two do the government's work? How much will it cost? How should it be financed? Who should pay for it?

Nothing less than a top-to-bottom review of federal activities is needed to determine whether they are meeting their objectives and achieving real results. This review would also help free up resources for other needs. Congress and the President need to decide which policies and programs remain priorities, which should be overhauled, and which have simply outlived their usefulness. To help in this effort, GAO recently

published an unprecedented and groundbreaking report that asks a series of probing, sometimes provocative, questions about both mandatory and discretionary spending and tax policy. This report is called "21st Century Challenges: Reexamining the Base of the Federal Government," and you can find it free on our website at www.gao.gov. In my view, this is must reading for anyone who's interested in public policy and our nation's future.

My hope is that policymakers and the public will begin to think more strategically about where we are; where we're headed; and, more importantly, how we can get back on a more prudent path. I'm also hopeful that GAO's work will encourage the development of a set of key national indicators. These are quantitative and outcome-based measures that policymakers can use to better assess a nation's position and progress over time, relative to other nations, on benchmark issues like public safety, health care, housing, education, and the environment. For years now, foreign governments and even some U.S. states and localities have been using indicators to successfully prioritize and target public resources. At the federal level, a set of outcome-based key national indicators would help to improve strategic planning, enhance performance and accountability reporting, and facilitate a much needed and long overdue baseline review of government.

Transforming government isn't something that will happen overnight. Elected, appointed, and career officials will need to work together closely for a sustained period of time—perhaps a generation or longer. Public officials will need to reach across institutional lines and partner with other government agencies, businesses, professional organizations, and nonprofit groups. And politicians will need to focus more on what's right for our country rather than what's right for their party. It's going to take patience, persistence, perseverance, and even pain before we prevail in transforming government. But prevail we must.

The New GAO

I'd like to talk now about my agency, the GAO, and our efforts to help transform ourselves and show others the way forward. When I became Comptroller General more than seven years ago, I made GAO's own transformation a top priority. As Comptroller General, I serve a 15-year term of office, which helps to insulate GAO from day-to-day political pressures. This long term of office has also allowed me to introduce and lead a range of internal changes to enhance our performance, ensure our accountability, and help better position us for the future. In just seven years, by working together, internally and externally, and with our client the Congress, we have taken GAO from an "at-risk" agency to a "model federal agency" -one that's well-equipped to take on Congress' toughest assignments.

The keys to our success are straightforward:

- We seek to lead by example in all major operational areas.
- We focus on outcome-based results.
- We meet the legitimate needs of our congressional clients.
- We hire great people, empower and invest in them, and reward their performance.
- We continually invest in new technology.
- And we partner with others, both domestically and internationally, on issues of mutual interest and concern.

GAO now has a strategic plan to help guide and coordinate the agency's efforts. GAO's own strategic goals are ambitious but straightforward. We seek to produce positive and measurable outcome-based results for Congress and the American people. Fortunately, for various reasons, our outcomes have doubled in many major categories over the past six years. We also strive to meet the needs of our congressional clients. At the same time, we want to help reinvent government so that it continues to meet the needs of its citizens within current and expected resource levels. And finally, GAO aspires to become a model federal agency and a world-class professional services organization that just happens to be in the federal government.

Focusing on results has also been a central part of GAO's transformation efforts. Since 2000, GAO has issued annual performance and accountability reports that inform Congress and the American people about GAO's accomplishments and its plans for the coming year. Our progress in meeting each strategic goal is highlighted. For example, in fiscal year 2005, GAO's work produced nearly \$40 billion in financial benefits. That's an \$83 return on every dollar invested in GAO. We also made thousands of recommendations to improve government operations. Importantly, about 85 percent of GAO's recommendations are eventually acted on by Congress or the relevant agency. Frankly, this type of straightforward cost/benefit reporting should be standard throughout government. In my view, the American people have a right to know what federal departments and agencies are achieving with the taxpayer dollars they've been given.

Internally, GAO is now a flatter, more flexible, more results-oriented, more matrixed, more constructive, and more cooperative organization. If GAO can do it, others can too.

Public Service: An Opportunity to Make a Difference

The simple but powerful truth is that effective and responsive government requires a quality workforce. To tackle current and emerging problems, government needs top talent at all levels, men and women who are able to think strategically and creatively.

Being on the front lines of government operations for the long-term, civil servants are in a strong position to help ensure that federal programs are getting real results. They can also help realign agencies to better meet their objectives, point out waste and mismanagement, and fine tune federal services to ensure that the taxpayer gets the best possible return on investment.

I know many of you here tonight are recent or future graduates of the University of Georgia's highly ranked MPA program. As you weigh your career options, I'll hope you'll continue to keep an open mind about public

service as a way to make a difference—both for others and for yourself. As someone who has divided his career between government and the private sector, I can tell you that my experience at GAO and other federal agencies has been challenging, enlightening, and rewarding. It's given me a chance to help real people, people like the students on this campus or retirees like your grandparents, people whose lives are better and whose futures are brighter because of the efforts of dedicated public servants.

Opting for public service is an honorable choice. It's a calling where individuals and organizations can work for the greater good and help ensure a better future for America and Americans.

Public service attracts people who are dedicated more to the word "we" rather than "me," people who are more interested in increasing their self-worth rather than their net worth. Public service also attracts people who take seriously their stewardship responsibilities to others. If this describes you, I hope that you'll consider giving at least two years of your life to your county or community. If you do, I'm confident it'll be a decision you'll never regret and never forget.

One person can make a difference. My favorite President, Theodore Roosevelt, is proof of that. TR, as he's often called, was someone with character, conscience, and conviction. As our 26th and youngest president, he was an optimist who firmly believed in the potential of government to improve the lives of all its citizens.

As a trustbuster, TR took on some of the nation's most powerful and ethically challenged corporate interests—and he won. As an environmentalist, TR left us a legacy of great national parks like Yosemite and the Grand Canyon. As an internationalist, TR promoted the building of the Panama Canal and led peace talks to end the Russo-Japanese war. TR was a special person who won the Medal of Honor and the Nobel Peace Prize. We need more leaders like Teddy Roosevelt, leaders with courage, integrity, and creativity who can achieve meaningful results today and help position us for a more positive future.

In closing, I think it's important to remember that this is the Getzen Lecture in Government Accountability. In our republic, ultimate accountability for government rests with each of us. It's no accident that our Constitution begins with the words, "We the people."

Every couple of years, we have the chance to go to the polls and express our approval or disapproval of how our government is being run. Given the challenges facing us, it's more important than ever that each of make our views known so that our elected representatives are clear about what we want and expect. After all, why should any politician go out on a limb and tackle complex and controversial issues if no one seems to care?

If the folks who live on Main Street stay silent, significant and sustainable change is unlikely. Our government will remain on autopilot, our burdens will mount, and our fiscal fuse will get shorter. I hope when you leave here today, you'll join with me to insist on the facts, speak the truth, and call for meaningful action and responsible leadership. It's time to recognize and fulfill our stewardship responsibilities to our country, our children, and our grandchildren. We can and we must, and if people like us join together, I am convinced that we will succeed.

Thank you for your time and attention. Now, I'd be happy to answer any questions you might have.